

Cantwell touts 32-page climate bill as ‘clean’ alternative to House measure

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The climate-change bill and energy bill that the House passed this summer runs more than 1,300 pages, and key Senators are working on a measure that is likely to be at least as long. But one Senate Democrat is working on a cap-and-trade plan of her own which totals a scant 32 pages.

The draft bill, sponsored by Maria Cantwell of Washington, would require electric utilities and other industries to start reducing their greenhouse gas emissions in 2013.

Cantwell said last week that she was unsure what role her proposal would play after another key senator — Barbara Boxer of California, the chairwoman of the Environment and Public Works Committee — unveils her long-anticipated climate change bill later this month.

“I think that remains to be seen, because I don’t know what the process is yet,” Cantwell told Platts. Still, she noted that her measure had earned praise from the Obama administration and others for its simplicity. “I think the president even called that approach elegant, so it would be nice to have something that clean on the floor,” she said.

Unlike the House-passed measure (H.R. 2454), Cantwell’s draft does not mandate specific emissions-reduction targets. The House measure, sponsored by Democratic Representatives Henry Waxman of California and Edward Markey of Massachusetts, calls for an 83% reduction in heat-trapping emissions by 2050. Cantwell’s measure would cover only “upstream” industries — such as electric utilities and oil refiners — rather than their customers downstream, such as the manufacturing sector.

The Waxman-Markey measure would regulate both downstream and upstream emissions, covering an estimated 85% of the US economy.

Cantwell’s draft claims that one of the advantages of her more limited approach is “a significant reduction in the number of entities that would be regulated.”

This approach would relieve federal regulators of the need to calculate greenhouse gas emissions from a wide variety of industries while still covering 80% of US emissions, the draft says.

The measure would also ramp down emissions more slowly in early years beginning in 2013, in order to give industries a chance to invest in carbon-reducing technologies. After 2015, the required reductions would accelerate. Cantwell’s draft sets a price floor of \$7 per ton of carbon, and a ceiling of \$21 a ton. It would also include a “safety valve,” allowing industry stakeholders to purchase unlimited emissions allowances to cover their immediate needs at the maximum price of \$21 a ton for one auction.

The proposal would prohibit “speculators” from trading in the carbon market by limiting trading to members of the fossil fuels industry who must use the credits.

The House bill’s carbon markets would be regulated under rules set by a separate piece of legislation, being drafted by Financial Services Committee Chairman Barney Frank of Massachusetts, and Agriculture Committee Chairman Colin Peterson.

Finally, the Cantwell proposal does not contain a complicated matrix of free emissions allowances for industries or other expenditures, as the House measure does. There would be no free emissions allowances doled out to industries under Cantwell’s bill, which Cantwell said would prevent industries from reaping unearned “windfall profits.”

Cantwell’s bill would refund 75% of the revenue generated by the sale of the allowances to citizens by way of a monthly dividend check. The remaining 25% would go into a fund to promote clean-energy technologies. Kenneth Green, a resident scholar at the conservative-leaning American Enterprise Institute, said that while he generally opposes cap and trade as a way to mitigate GHG emissions, Cantwell’s offering is the most straightforward version of the mandate he has seen. “She does an admirable job of sticking to the point,” said Green, noting that while the House bill allocates 85% of its emissions allowances to a range of industries and causes, Cantwell’s bill returns most of its revenue to consumers.

Green said that requiring only energy producers to purchase allowances would create incentives for manufacturers and other consumers to improve efficiency. “The cost would come down universally across the economy,” he said.

Frank O’Donnell, the president of the environmental group Clean Air Watch, also appreciated Cantwell’s cap-and-refund approach with its lack of carve-outs to industries. “There’s an elegant simplicity to taking this type of approach,” O’Donnell said.

Both Green and O’Donnell noted that with the Senate’s focus on health-care legislation currently pushing cap and trade to the back burner, there may be room for alternative approaches to climate-change legislation which differ from the model set by Waxman and Markey.

Boxer has said repeatedly that she plans to use Waxman-Markey as a jumping-off point for the bill she will introduce later this month, but several more moderate Democratic senators have expressed a reluctance to vote on cap and trade this year. A few powerful Democratic senators, including Byron Dorgan of North Dakota and the new Agriculture Committee Chairwoman Blanche Lincoln of Arkansas face competitive reelection bids in historically conservative states next fall.

If cap and trade is pushed off the agenda altogether, Green said, “We could see the Cantwell bill reappear in 2012.” Paul Bledsoe, a spokesman for the Washington-based think tank National Commission on Energy Policy, said Cantwell’s offering was notable

because it was the first that includes a so-called price collar on credits. “I think that’s an indication of where the debate is going in a post-financial markets meltdown atmosphere,” he said.

— *Jean Chemnick*